

S.T.A.R.T.[®]

SMART

The More Things Change . . .

By Auditor of State Connie Nass

As the old adage goes, “The more things change, the more they stay the same.” You may have noticed a number of changes to your Hoosier S.T.A.R.T.[®] Plan in recent months. We are very excited about the change in third-party administration to Great-West Retirement ServicesSM. Through the transition, we did our best to minimize any inconvenience to you as a participant and to keep you well-informed. In this edition of the Auditor’s Corner, I thought it might be best to recap some of the Plan differences, as well as some of the things that remain the same.

You may still access your account through the Web site at www.hoosierstart.com. Just click on the Great-West Retirement Services logo.¹ You will need your Hoosier S.T.A.R.T. user ID and Personal Identification Number (PIN). Great-West Retirement Services mailed the PIN to you in April. If you do not have it, you can order a new PIN through the new toll-free access number: **(877) SAV-N-RET** (877-728-6738).¹ If you have questions about transactions prior to April 1, 2005, you will need to contact ING at (800) 584-6001 (you will need the PIN issued by ING).

In a March 11, 2005 letter, a number of you who are retired and in payout status received instructions on resubmitting your tax and direct

deposit agreements to Great-West Retirement Services. If you did not do that and were previously receiving direct deposit, beginning in May you received your distribution by check. Likewise, unless you submitted a W-4P form to Great-West Retirement Services, your federal tax withholding was automatically reset to 20% (10% for those receiving a required minimum distribution). You may obtain the necessary forms to either start or restart direct deposit of your periodic payments, or to revise your income tax withholding, via the toll-free number.

Hoosier S.T.A.R.T. continues to have a local office, but it has moved. It is now located at 101 West Ohio Street, Suite 760, Indianapolis, IN 46204. You will continue to receive service through a team of local representatives, but now, those representatives will be located strategically throughout the state to make it easier for them to meet with local entities and individual participants. Those of you who use the office frequently may notice many familiar faces have stayed with Hoosier S.T.A.R.T. to continue serving you.

Finally, your investment options remain the same, with the exception of recent changes authorized by the Deferred Compensation Committee. Those changes include the rollout of

the American Beacon Advisors Small Cap Value Fund², which supplements the Fidelity Low-Priced Stock Fund. The Fidelity Low-Priced Stock Fund has been closed to new investments, so while your prior balances may remain in that fund as long as you choose to keep them there, your ongoing contributions as of April 1, 2005 have been mapped to the American Beacon Advisors Small Cap Value Fund. You may examine the available investment options through the Web site at www.hoosierstart.com.

I believe this fresh start for Hoosier S.T.A.R.T. is a very good thing. I hope you do, too. Please use the toll-free number, Web access and local representative. These people, the Web site and toll-free number are there for you so that you may find the smartest way for you to save today and retire tomorrow.

Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information, you may obtain mutual fund prospectuses and disclosure documents from your registered representative. Read them carefully before investing.

Auditor’s Corner

For Good Measure

You want an above-average performance from your retirement plan investments. But what’s average?

To be a prudent investor, you need to monitor the performance of each of your funds. The best way to do that is to see how its returns stack up against those of an index³, a “basket” of same-type stocks. Here are some widely accepted market benchmarks against which to measure the performance of your investments.

- **Dow Jones Industrial Average.**

This century-old benchmark, usually called “the Dow,” is the world’s most widely followed market average. It’s not representative of the entire market—it tracks only 30 big, well-known, wealthy U.S. corporations. Use it only to guide

you in the overall direction of the market.

- **Standard and Poor’s S&P 500[®].** It’s a far more representative benchmark, tracking 500 companies (not always the largest) chosen to reflect all sectors of the U.S. economy. Most professional investors, including mutual fund managers, measure success by whether or not they beat the S&P 500.
- **Russell 2000.** It covers 2,000 small-cap stocks (companies with total stock market values of \$5 billion or less). It’s the benchmark against which the performance

of smaller-cap mutual funds is measured.

- **MSCI EAFE.** That stands for Morgan Stanley Capital International Europe, Australasia, Far East. It measures some 1,000 stocks on 21 global stock exchanges. It’s the benchmark against which international funds are measured.
- **Lehman Brothers Aggregate Bond Index.** It includes more than 5,000 government and corporate bonds. It’s the yardstick against which bond-fund performance is measured.

¹ Access to the voice response system and Web site may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

² Foreign investments involve special risks, including currency fluctuations and political developments.

³ An index is not professionally managed, does not have a defined investment objective, and does not incur fees or expenses. You cannot invest directly in an index.

Age-Appropriate Allocations

Maximize what you make when you make it.

How you allocate your contribution among different asset classes common to retirement savings plans—stock funds, bond funds and fixed-income or stable-value funds—is one of the most important factors in determining your long-term investment returns. An allocation that’s too cautious could leave you without enough money to last for a long retirement; equally dramatic, an allocation that’s too aggressive could leave you with losses at precisely the moment you need to take your money out.

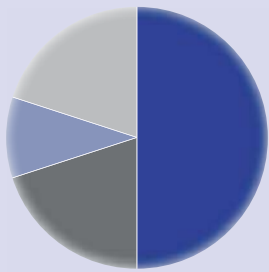
Set the Stage

To plot out the allocation that’s right for you, take into account the size and number of your financial goals, when you’ll need the money, your psychological comfort with fluctuating investment returns, and your financial ability to withstand losses in your account. Perhaps you’ll get some ideas from the profiles of the hypothetical investor examples below. As you’ll see, this cast of characters has different ages and goals and as a result, different asset allocations.

Where do you fit in? Using what you’ve learned from these scenarios, think about the asset allocation that best fits you. Of course, if you have a tax or legal adviser, you should review your financial situation with him or her.

Ralph

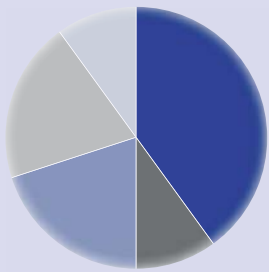
He’s 25, unmarried and earns \$24,000 a year. He can afford to invest aggressively because he has plenty of time to recoup temporary losses and has no dependents. Ralph’s best mix: 50% growth-stock funds, 20% aggressive-growth-stock funds, 10% growth-and-income stock funds and 20% international-stock funds. That’s an all-stock portfolio, but diversified across four subcategories to help spread out risk.



- 50% growth-stock
- 20% aggressive-growth stock
- 10% growth-and-income stock
- 20% international-stock

Ted & Julie

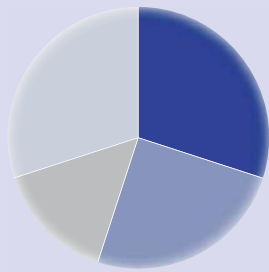
They’re in their mid-40s with combined earnings of \$55,000 a year. With two kids in college, tuition bills mean they probably can’t invest the maximum in their 401(k) plans. So they need to invest aggressively to try to make up for their smaller contributions. Their mix: 40% growth-stock funds, 10% aggressive-growth-stock funds, 20% growth-and-income-stock funds, 20% international-stock funds and 10% corporate-bond funds. (Once their kids graduate, they can increase their 401(k) contributions and recast their allocation to make it more conservative.)



- 40% growth-stock
- 10% aggressive-growth stock
- 20% growth-and-income stock
- 20% international-stock
- 10% corporate-bond

Stanley & Alice

This couple, in their mid-50s, have grown kids and together earn \$84,000 a year. They can afford to contribute the maximum and don’t have to invest as aggressively. Playing their part more conservatively makes sense for their ages, too, because the curtain is about to open on their retirement and they’ll have to start withdrawing their money. For them: 30% growth-stock funds, 25% growth-and-income-stock funds, 15% international-stock funds and 30% divided between corporate-bond funds and fixed-income or stable-value funds.



- 30% growth-stock
- 25% growth-and-income stock
- 15% international-stock
- 30% corporate-bond and fixed income

Note: The three charts show Fund allocations and are for illustrative purposes only. They are not intended as investment or financial planning advice.

Important Information Regarding Vanguard

Vanguard has announced plans to begin imposing redemption fees on specified mutual funds for shares exchanged after the close of business on Friday, September 30, 2005. More details will be provided in future communications and on www.hoosierstart.com as they become available.

Need help? Have quesitons?

For more information visit the Web site at www.hoosierstart.com
or call KeyTalk® at (877) SAV-N-RET (877-728-6738)

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